

Press Release

RAWALWASIA TEXTILE INDUSTRIES PRIVATE LIMITED

February 13, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 31.50 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 31.50 crore bank facilities of Rawalwasia Textile Industries Pvt Ltd. The outlook is '**Stable**'.

Rawalwasia Textile Industries Pvt Ltd (RTIPL) was established in the year of 1988 by Mr Samir Agarwal and Mr. Dinesh Dayama. The company is engaged in trading of coal and is based out of Surat, Gujarat

Key Rating Drivers

Strengths

• Experienced Management and long track record of operation

RTIPL has established operational track record since 1988. The company initially commenced operations with trading of cotton yarn and subsequently changes to coal trading in 2013. The directors of the RTIPL, Mr. Samir Agarwal and Mr. Dinesh Dayama have an experience of more than two decades in trading business of different products.

• Moderate financial risk profile

The financial risk profile of the company is moderate marked by moderate net worth, moderate gearing and modest debt protection measures. RTIPL has a moderate net worth base of Rs 13.21 crs as on 31st March '2017 as compared to Rs. 6.02 crore in FY2016. Net worth includes unsecured loan of Rs. 4.88 crores which is subordinated to bank debt and hence treated as quasi equity by SMERA. The gearing of the company stood moderate at 1.11 times in FY2017 as compared to 1.63 times in the previous year. The debt of Rs 14.69 crs consists mainly of cash credit of Rs. 14.46 crs. The total outside liability against tangible net worth (TOL/TNW) stands moderate at 2.40 times in FY2017 as compared to 4.13 times in FY2016. The debt protection measures of the company stood at moderate with interest coverage of 1.80 times in FY'17 as compared to 1.74 times in FY'16. The NCA/TD levels of the company stood at 0.05 times in FY'17 as against 0.05 times in the previous year.

• Moderate scale of operation

The scale of operation stood moderate at Rs. 73.16 crore in FY2017 as compared to Rs. 65.28 crore in FY2016. The company has booked Rs. 40.00 crore from April till November 2017 (Provisional).

Weaknesses

• Low profitability

The operating margin of the company is continuously declining and stands moderate at 1.85 per cent in FY2017 as compared to 2.10 per cent in FY2016. The margin of the company has continuously

declined mainly on account of increase in price of traded goods which could not be passed onto their customers.

• Working capital intensive nature of operation

The company's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 222 days in 2016-17, increased from 170 days in 2015-16. These high GCA days emanates from collection period of 128 days in FY17. The company caters mainly to the textile industry from where the payment realisations are delayed. Inventory days stands comfortable at 18 in FY2017 as compare to 12 days in previous year.

Analytical Approach

Arriving at the ratings SMERA has considered the standalone financial performance and financial risk profile of RTIPL.

Outlook: Stable

SMERA believes RTIPL will maintain a stable business risk profile in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improves its working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than- expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	73.16	65.28	81.72
EBITDA	Rs. Cr.	1.35	1.37	2.81
PAT	Rs. Cr.	0.64	0.42	1.83
EBITDA Margin	(%)	1.85	2.10	3.44
PAT Margin	(%)	0.87	0.65	2.24
ROCE	(%)	9.84	8.87	35.78
Total Debt/Tangible Net Worth	Times	1.11	1.63	2.15
PBDIT/Interest	Times	1.80	1.74	7.14
Total Debt/PBDIT	Times	6.65	6.43	3.75
Gross Current Assets (Days)	Days	222	170	124

Status of non-cooperation with previous CRA (if applicable)

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA BB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4+

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Abhishek Dey Executive Analyst - Rating Operations Tel: +91 33 6620 1208 abhishek.dey@smera.in	

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